

COUNCIL OF GOVERNMENTS
DBA OLYMPIC AREA AGENCY ON AGING
Clallam, Jefferson, Grays Harbor And Pacific Counties, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The Council Of Governments Should Improve Its General Ledger Accounting

During our audit of the 1995 financial statements of the Council of Governments, doing business as the Olympic Area Agency on Aging, we noted numerous problems related to basic general ledger accounting. Some of the year-end adjusting entries were not prepared and kept on file. Incomplete and one-sided entries were noted, such as the reversal of the prior year's accrual to the revenue accounts without corresponding entry to the Due from Other Governments account. Sometimes the account balance would be changed in the general ledger without any entry being posted. We also noted an entry which should have been a credit was posted to the general ledger as a debit. The general ledger was not balanced to ensure that all entries had been properly posted. The postings to the general ledger were not completed in a timely manner. This resulted in several versions of the financial statements during the audit as noted errors were corrected.

The above situation resulted in incomplete data being entered into the general ledger system, reported on the financial statements, and not detected by the fiscal officer. It may have been one of the contributing factors to the same expenditures being coded to two different programs, resulting in the agency billing the state twice for the same expenditures. This occurred when the expenditures were posted into the first program, then posted into the second program, without transferring the expenditures out of the first programs. These problems cause audit costs to increase when basic accounting records are not organized, balanced, and supported and when financial statements are not correctly prepared by the agency.

The Olympic Area Agency of Aging was unaware these deficiencies existed and they had not assigned a high priority to general ledger accounting.

We recommend posting to the general ledger be completed in a timely manner. Year-end adjustments should have applicable journal entries prepared for them and kept on file. Periodically, the general ledger should be balanced to ensure that all entries have been properly posted. The general ledger account balances should be supported by documentation. We further recommend the financial statements be prepared in a timely manner.